

## **MINUTES**

### **MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN BOB DEPRATU**, on April 5, 2001 at 8:00 A.M., in Room 405 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Bob DePratu, Chairman (R)  
Sen. Alvin Ellis Jr., Vice Chairman (R)  
Sen. John C. Bohlinger (R)  
Sen. Mack Cole (R)  
Sen. Pete Ekegren (R)  
Sen. Jon Ellingson (D)  
Sen. Bill Glaser (R)  
Sen. Dan Harrington (D)  
Sen. Emily Stonington (D)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Lee Heiman, Legislative Branch  
Deb Thompson, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: House Bill 617, 3/30/2001;  
House Bill 619, 3/30/2001;  
House Bill 636, 3/30/2001;  
House Bill 623, 3/30/2001  
Executive Action: None

#### **HEARING ON HOUSE BILL 617**

**Sponsor:** REP. JOE BALYEAT, HD 32, Bozeman

**Proponents:** Ken Nordtvedt, Self; Michael Lange, Self; Riley Johnson, NFIB

**Opponents:** Eric Feaver, MEA-MFT; Dick Crofts, Commissioner of Higher Education; Don Judge, MT AFL-CIO; Wally Melcher, Developmental Disabilities Committee; Bob Vogel, MSBA; Joe Lamson, OPI

**Informational Testimony:** Joe Shevlin, Montana Society of CPAs

**Opening Statement by Sponsor:** REP. JOE BALYEAT, HD 32, Bozeman, said this bill is to simplify and reduce Montana income taxes. He passed out an information packet on HB 617. **EXHIBIT (tas77b01)** He read testimony in favor of this bill. **EXHIBIT (tas77b02)** He also passed out a booklet on State and Local Taxation and Economic Growth. **EXHIBIT (tas77b03)**

**Proponents' Testimony:** Ken Nordtvedt said he felt self employment was one of the fastest sectors of growth in Montana. He said self employed and small businessmen are very sensitive to taxes. He said half of all taxable income is shelled out to the government in the form of income taxes. He said this is a modest step by cutting taxes 5 to 7 percent. He said it also sends a signal that the Montana government wants to help the taxpayers of Montana. He said at about \$75,000 they are in the top tax bracket in Montana. This bill was structured to cut all tax brackets so that all Montana taxpayers are getting the 5 to 7 percent tax break. He quoted from the Belgrade High School County Press. **EXHIBIT (tas77b04)** He said this would help stimulate growth in Montana and help the economy by encouraging business in Montana.

**Michael Lange**, representing himself, said the working class in Montana pays the bulk of the income tax rates. He said to put more money into the pockets of working families is what he supports. He said he is also a small business owner and has seven employees working under him. He felt this bill will allow those families to have more money. He said he ran for the legislature last year and not one voter told him that they did not support tax cuts, and it was a big issue with them.

**Riley Johnson**, NFIB, said this would simplify the income tax system and lower tax rates. He said their members voted 78 percent in favor of this bill.

Testimony was turned in from **John Berthoud**, National Taxpayers Union. **{Tape : 1; Side : A; Approx. Time Counter : 0 - 6.6}**

**Opponents' Testimony:**

**Eric Feaver**, MEA-MFT, said he did not feel that cutting taxes by 5 percent would expand the economy in such a way as to pay for the services that our government provides. He said many out of

state people will not come or return to Montana for a simple 5 percent break in taxes as many out of state people don't have to pay income taxes. He discussed the fiscal note and said when this bill was first introduced it only had an \$11.6 million dollar impact in the biennium, but it also had long term fiscal impacts and future taxes. He said it was amended in the House and the fiscal impact fell to \$6,993,000 in this biennium, but nothing changed in the long term fiscal impact and future taxes. He said trying to find the state dollars to pay for what the citizens of this state expect is difficult. He said this bill in the next biennium would cost more than all the new dollars that they will have appropriated for the new state plan for the University System and K-12. He said for most people personally it is only a \$50 or \$60 income tax break and are those same people willing to give up quality schools for that break.

**Dick Crofts**, Commissioner of Higher Education, said if they think it is tough now to find money for education it will be harder if this bill is passed especially in the future. He said it has been quoted that you can't expect people to come to Montana and build high-tech businesses with these kinds of tax rates. He said this bill does address a high tax rate, but it will cost them more than the state can afford. He said if they want to find money for education they should vote against this bill.

**Don Judge**, representing Montana AFL-CIO, said the public wants tax cuts on an equal basis, but if the government can give incentives such as Medicare then they would rather have taxes. He said at least 55 percent of the people would rather have a good education than tax cuts. He said since July of last year there has been 2,800 jobs dislocated in Montana and in not one instance did an employer say taxes in Montana were the problem. He said there has already been \$422 Million dollars in tax breaks in Montana over the last 10 years and it has not created any more jobs. He said this is not the way to give Montana a tax break if they still want quality education, meet the needs of local government, police, fire protection, elderly and prisons. **{Tape : 1; Side : A; Approx. Time Counter : 6.6 - 22.8}**

**Wally Melcher**, Developmental Disabilities Committee, said this bill is playing with the future and putting people's future with disabilities at risk. He said many people are dependants upon the taxpayers of this state.

**Bob Vogel**, MSBA, said they are trying to find revenues to fund public education in Montana and yet they are talking about \$80 million dollars in tax reductions. He said even though they have the highest income taxes of any other state, they rarely pay those top rates because of deductions.

**Joe Lamson**, OPI, said even though this would have very little impact on this biennium it is the next one that they are concerned about when \$80 million dollars will be cut. He said a comprehensive tax study needs to be done rather than short cutting by passing this bill.

**Informational Testimony:**

**Joe Shevlin**, Montana Society of CPA's, said Montana has the highest tax rates in the nation. HB 617 helps to take care of the perception of high taxes and problems brought about by the differences in federal tax laws especially in the area of filing married joint and filing married separate. However, this bill does not address the differences that already exist in those tax differences. He said this bill does include a tax cut, but the concern is whether they can afford the tax cut. He said CPA firms probably have the software to make these changes, however people that don't use CPA's may have a difficult time making this switch. This bill contains an irrevocable election and once that alternative tax system is chosen there is no going back to the old system. This bill does not address when marital statuses change such as death, divorce and remarriages. He said it does not address when a non-electing taxpayer marries a taxpayer who has made a prior election. **{Tape : 2; Side : A; Approx. Time Counter : 0 - 4.2}**

**Questions from Committee Members and Responses:**

**SEN. EMILY STONINGTON** asked how do they address the issues of taxpayers who do not use CPA's and the irrevocable election and those who have a change in marital status. **REP. BALYEAT** said taxpayers who have a change in marital status can be changed in a minor amendment. He said the idea of deciding between the new and old system is not new. Other states have used this approach because they were never going to get tax implementation unless they offered people the ability to use the old rules. He said most taxpayers will use the new simplified system.

**SEN. PETE EKEGREN** said his concern is that it is late in the Session and this is a big change. He felt that there is going to be an interim study on the whole tax system and would this be better as an interim study. **REP. BALYEAT** said he was a part of the tax interim committee and looked at the four different proposals that were brought forward to try and fix our income tax mess. He said the committee liked a proposal that raised taxes on 100,000 people and he did not like this proposal. He said this was the second choice of the committee and he brought it forward. He said he has been coming to the legislature and trying to fix

the income tax mess for at least six sessions and they have not gotten anywhere. He does not feel that there needs to be anymore studies, and that this bill will help fix some of the problems with the tax system. **{Tape : 2; Side : A; Approx. Time Counter : 4.2 - 12.7}**

**SEN. STONINGTON** said she did not feel that they could afford this bill, but she does like the merits and felt it should be worked on in the interim. **REP. BALLYEAT** said this bill is a very integrated package and with the help of the Department of Revenue they went through the entire 1999 tax data base about 20 times. They calculated what the real effective rate was and if they could achieve a 5 percent cut. He said it will not work at anything less than 5 percent. He said the reason is when you give people the choice to use the old tax system or the new system, there has to be enough incentives for people to move to the new system.

**SEN. STONINGTON** said if it is a priority to reduce taxes then they need to look for a revenue source that can replace the revenue that is going to be lost by this. **REP. BALLYEAT** said income tax rates have a far greater impact on economic growth as compared to tax cuts in other areas. He said even though property taxes in Montana are not the highest in the nation they were cut last Session, but income taxes are one of the highest. This discourages businesses especially high-tech businesses from coming to this state. He said the bill has a delayed implementation that takes effect April 2004 because it will take the private sector three to four years to respond to an income tax cut. He felt this bill should be passed now and if there needs to be some adjustments they can do it next Session. **{Tape : 2; Side : A; Approx. Time Counter : 12.7 - 20.9}**

**Closing By Sponsor:**

**REP. BALLYEAT** said income tax rates are not the sole reason people base their decisions on which state they are going to live in. He said there are a lot of people who cannot afford the high income tax rates and they take up residency in other states. He said Montana's tax structure is very complicated and is not well thought out. This bill simplifies that and does not raise people's taxes. He said two economists from Montana State University were quoted as saying it is time for a modest income tax cut in the State of Montana to spur our economy. He said antidotal evidence doesn't stand up when compared to empirical studies. Statistical studies show that states that have a low income tax rate perform substantially better in economic growth and more jobs. He said the income and capital tax rates are on

the lunatic fringe. **EXHIBIT(tas77b05)** {Tape : 2; Side : A;  
**Approx. Time Counter : 20.9 - 28.8}**

### HEARING ON HOUSE BILL 619

Sponsor: REP. CHISTOPHER HARRIS, HD 30, Bozeman

Proponents: Arnie Olsen, MT Historical Society; Doug Monger, FWP; Jeffery Tiberi, Montana Heritage Commission; Amy Sullivan, Self

Opponents: None

Opening Statement by Sponsor: REP. CHISTOPHER HARRIS, HD 30, Bozeman, said HB 619 expands the concept of the conservation easement to buildings, structures and historical sites. He said if they had a non-profit organization such as Montana Land Reliance, they could engage in a contract with the property owner on how long it will be preserved and what measures are going to be used to preserve that. The property owner has to live up to the contract in order to get back a portion of the taxes. He said the other portion of this bill is a 20 percent tax break for the actual expenditures to make sure that property is preserved. He used some examples of historical sites that can be preserved and how people can get tax incentives. He had a fact sheet and a hypothetical example for the committee. **EXHIBIT(tas77b06)**  
**EXHIBIT(tas77b07)** He also had an amendment HB061901.alh.  
**EXHIBIT(tas77b08)** {Tape : 2; Side : B; Approx. Time Counter : 0 - 8.7}

### Proponents' Testimony:

**Arnie Olsen**, MT Historical Society, said the concept of long term easements for the preservation of historic properties would provide more lasting protection in ways that a mere listing in the national registry does not. Conservation easements encourage preservations of significant historical buildings and sites with tax credits to help owners care for those properties. He said these easements can be tailored to meet the needs of individual properties and owners. He said right now credits are only available for restoration for income producing properties and private and non-commercial properties should have the same protections. He said the only concern they had was the length of the easement and it was changed from 21 to 29 years. He said they would like to have 80 to 100 years still considered.

**Doug Monger**, FWP, said Montana is known for its historic places, but they have been losing them for a number of years because of

age and deterioration or they are being burned and torn down so that people no longer have to pay taxes on old homesteads, etc.. He said this is a positive step in helping land owners and historic structure owners to maintain historic buildings.

**Jeffery Tiberi**, Montana Heritage Commission, said one of the fastest growing economies in the state is heritage tourism. History travelers are the biggest spenders of any tourists. He said only about 15 percent of Virginia City is owned by the state. Without the help of private owners they would not be able to maintain the appeal of the town. He said if they can encourage tourist to even stay one more night it will increase local and state tax revenue by \$4.5 Million dollars and for every \$53,000 spent by tourists it creates one job in Montana. He said this bill allows for the public and private sector to work together to preserve the best of Montana and our descendants.

**Amy Sullivan**, Self, said five years ago they bought a very old home and have spent their spare time restoring this house. She said tax incentives would be helpful in helping to restore these structures. *{Tape : 2; Side : B; Approx. Time Counter : 8.7 - 16.4}*

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:**

**SEN. STONINGTON** said there are many ranchers who have old homesteads on their property. But the rancher has to pay for an easement and then they would have to pay for the upkeep of the easement and this may be a disincentive. **REP. HARRIS** said this is an acute observation and a problem. He said it is his believe that the maintenance of these properties will be less expensive than water conservation easements.

**SEN. STONINGTON** asked if there was a homestead on a ranch would they be better off going through the credit of preservation of historic buildings and not doing an easement. **REP. HARRIS** said the existing tax credit is only for income producing properties. He said the Montana Land Reliance or other non-profit groups will hopefully get involved and keep the cost down.

**SEN. MACK COLE** said on his place they have around 13 homesteads in various stages of falling down and is that what they are talking about in this bill. **REP. HARRIS** said those places would either have to be on the national registry or be criteria that would be developed by the Montana Historical Preservation. He discussed the amendment (EXHIBIT 8).

**CHAIRMAN DEPRATU** asked what was the feeling on changing the 21 years to 29 years. **REP. HARRIS** said originally they had 21 years so that the property owner could see if they could maintain this through the contract. He said they contemplated 80 years, but decided upon 29 and it could be renewed again. He said what they wanted to do was to make sure the property owner could accomplish that obligation.

**Closing By Sponsor:**

**REP. HARRIS** said this creates a modest incentive to preserve parts of Montana's past. **{Tape : 2; Side : B; Approx. Time Counter : 0 - 25.8}**

**HEARING ON HOUSE BILL 636**

**Sponsor:** **REP. DANIEL FUCHS, HD 15, Billings**

**Proponents:** **Lynn Madsen, Self; Ken Nordtvelt, Self; Steve Ellis, Self; Amy Sullivan, Montana Tourism Coalition; Webb Brown, MT Chamber of Commerce**

**Opponents:** **Don Judge, MT AFL-CIO  
Toby McAdam, Citizen for Tax  
Jon Metropoulos, MT Society of CPA s  
Mary Whittingbill, MT Taxpayer s Assoc.  
Dick Krofts, Commissioner of Higher Education  
Bob Vogel, MSBA  
Eric Feaver MEA-MFT  
Joe Lamson, OPI  
Bob Brastrup, Self  
Tanya Hamlin, WEEL  
Mary Caferro, WEEL**

**Opening Statement by Sponsor:** **REP. DANIEL FUCHS, HD 15, Billings,** said this bill is to give tax relieve to Montana and shift some of the tax burden onto tourists. He said in 1984, 27 percent of the state's revenue came from natural resource production and today that number is down around 7 percent. At the same time the tourist industry has grown to 56 percent. He said with these changes Montana should have the opportunity to vote on eliminating the income tax and vote for a sale tax. This would create jobs and new businesses and would grow our tax base. He said one problem is the amount of FTE s needed to change this system and a way to fund that. He said it would take 48 FTE s the first year and 173 the following year. He used the example of how many FTE s there are in neighboring states with Wyoming having 51



FTE s and 90 in South Dakota. He said right now they have 655 FTE s in the Department of Revenue. He said he received a memo from the Department of Revenue saying that they had \$16 Million dollars to make this change. The sale tax would eliminate the \$35 million dollars in uncollected income taxes that they have every year. **{Tape : 3; Side : A; Approx. Time Counter : 0 - 7.2}**

**Proponents' Testimony:**

**Lynn Madsen**, Self, said he is in favor of a statewide sales tax and the elimination of the income tax. This bill eliminates another tax and ensures Montanans that they are not raising their taxes. He said this bill provides protection for those that are on a fixed income, by not taxing food that is prepared at home nor medications. He said it does tax those part time residents who pay no income tax in this state. Tourism is the number two industry and opens the door for additional taxes collected from tourists.

**Ken Nordtvelt**, Self, said voters have rejected a sales tax in the past because it is a new tax that adds to the tax base of the state and would be an explosion of government spending if a sales tax was added. He said by eliminating the income tax this is the right way to introduce a sales tax. He said he would like to see the income tax removed constitutionally rather than statutorily. He felt with the elimination of the income tax there would be growth in business, as the income tax is the most anti-work, anti-production tax that they have in the codes. He said the administering of a sales tax should be far less than the administering of individual income taxes.

**Steve Ellis**, Self, said capturing the tourists that enter this state is very important. He said with the bicentennial celebration of Lewis and Clark, a projected 20 to 30 percent increase in visitation to the state is expected. Eliminating the income tax would strengthen business opportunities.

**Amy Sullivan**, Montana Tourism Coalition, said this is a smart solution for the tax base as income tax relief is far better than a rebate.

**Webb Brown**, MT Chamber of Commerce, read a position paper that they have had since 1960 to propose a two percent sales tax to replace property and income tax. He said of course this did not pass, but they do support this bill. He said it does lower the marginal income tax rate and broadens the tax base to visitors of the state and provides tax relief. He said there are several problems with the bill concerning corporate tax, etc. He said also many businesses would have to pay more taxes than before to

buy goods. **{Tape : 3; Side : A; Approx. Time Counter : 7.2 - 18.9}**

**Opponents' Testimony:**

**Don Judge**, MT AFL-CIO, said Montana has rejected a sales tax twice now on the ballot and he feels they will reject it again. He said they are eliminating a tax on the ability to pay which is the income tax and replacing it with a tax on the ability to spend. He said there are many other necessities besides food and medicine that low income people have to purchase in order to get by on a daily basis. He said the bill fails to address federal deductibility as income taxes are deductible from federal taxes, sales taxes are not causing federal taxes to go up. He said this bill taxes clubs, associations, garage sales, etc.. and volunteers will have to pay a sales tax. He said charitable organizations will also have to pay a sales tax. Newspapers and books are not taxed in this bill. He said in a study, state and local governments have lost \$525 million dollars in sales tax revenue in 1999 alone because of consumer purchases made over the internet. It is estimated that online sales will total \$200 billion in the year 2004 and \$1 trillion in the next ten years. Because of this, states may lose \$20 billion in the year 2003 alone. He said back in 1960 they tried to get a 2 percent sale tax to replace property and income taxes and they know today that it couldn't be done. He said this will also happen in the future where the legislature will have to come back and vote for some form of income tax for the future needs of local governments, etc.

**Toby McAdam**, Citizens for Tax, said this will cost the state and they will have more problems than they already currently have. He said in 1960, a four percent tax would have eliminated property tax and income taxes. He said they can't exempt people on a sales tax and if they are going to have a new tax it has to be simple. He said if they don't bring business to this state they will not be able to fund schools and this proposal will only lose businesses. He said people are willing to pay 5 percent straight across the board rather than 8 percent on income and property taxes. He said the FTE figures are high for this bill as he didn't feel it would take that many to implement this tax. He said if the exemptions were taken out and property and income taxes were eliminated, he would be for the bill. He said businesses have a hard time making it in this state and there has to be more competition and fairness. **{Tape : 3; Side : A; Approx. Time Counter : 18.9 - 29.5}**

**Jon Metropoulos**, MT Society of CPA's, said this is not just a sales tax, but a use tax that taxes the use of services. He read section 1, subsection 13 of the bill. He said CPA's feel that this would have a huge impact on small businesses as they would be taxed corporately. He said individuals who itemize their federal taxes would lose this deduction and would have pay higher taxes to the federal government. He said they feel that this bill would be a disincentive to build businesses in this state. He said CPA's do support tax reform. He felt that Montanans have a low tolerance for sales tax and if a bill is submitted it needs to be a good one.

**Mary Whittinghill**, MT Taxpayer's Association, said that this bill has unintended consequences for businesses in Montana by not eliminating the corporate income tax. She said there is support for a sale tax, but it needs to be correct before it goes to the polls. *{Tape : 3; Side : B; Approx. Time Counter : 0 - 4.4}*

**Dick Crofts**, Commissioner of Higher Education, said they are not opposed to a sales tax, but they are concerned about replacing an progressive tax with a regressive tax. He said they also oppose this because it is not a part of a comprehensive package of tax reform. He said he does not know if adding a new tax and deleting another is building the comprehensive package that they need. He said people that are in his position in other states that have to rely on a sales tax to pay their wages are having difficult times.

**Bob Vogel**, MSBA, said it makes more sense to proceed with a study of tax policy. *{Tape : 3; Side : B; Approx. Time Counter : 4.4 - 7.9}*

**Eric Feaver**, MEA-MFT, rose in opposition of the bill.

**Joe Lamson**, OPI, said they oppose this bill.

**Bob Brastrup**, Self, said with a sales tax they never know how much they are paying in total per year in taxes. He said on the property tax bill they send 95 mills up to the state of Montana for the equalization of high school and grade school education. He said they also send the six mill levy for the University System. He said approximately 74 percent of his taxes goes to the education system and he does not oppose that. However, he would like some reform on taxes and where the monies go. He said he cannot support a sales tax because he feels he will pay more than he does in income taxes.

**Tanya Hamlin**, WEEL, said low income families will be hurt by a sales tax and the wealthy will only get wealthier. She said her

family already struggles to buy the things that they need without having to pay a sales tax.

**Mary Caferro**, WEEL, said she has had discussions with tourists and they come to Montana because they don't have a sales tax.

**{Tape : 3; Side : B; Approx. Time Counter : 7.9 - 14.1}**

**Informational Testimony:**

**Mark Cadwallader**, MT Department of Labor and Industry, passed out some amendments for the bill where they have concern.

**EXHIBIT (tas77b09)**

**Questions from Committee Members and Responses:**

**SEN. JON ELLINGSON** asked how a sales tax would affect transactions that involve E-commerce. He said that by having a sales tax will some business transactions be hurt by this and decrease the stream of revenue. **REP. FUCHS** said in California along with the federal government they are considering a tax on E-Commerce.

**SEN. ALVIN ELLIS** referred to section 4 of the fiscal note and said between 2003 and 2004 there is a huge increase in sales and is this correct. **REP. FUCHS** said he felt because of the Lewis and Clark bicentennial that there would be a lot more sales with increased tourism.

**SEN. ELLIS** said right now they have sales to tourists in the area of \$1.3 to \$1.5 billion and this is a change of \$5 billion. **REP. FUCHS** said he does not know where they arrived at that number.

**SEN. DAN HARRINGTON** asked why he choose income tax and not property tax. **REP. FUCHS** said the funding of schools is set up on property tax and if for example they eliminated property tax on individual owner occupied then those people would be voting for tax increases on all of the rest of the classes. He said a four percent sales tax will not create enough revenue to eliminate the property taxes on all classes. **{Tape : 3; Side : B; Approx. Time Counter : 14.1 - 20.8}**

**SEN. STONINGTON** said they have an progressive income tax system right now and if they put in a sales tax system there is going to be some disproportion. **REP. FUCHS** said he has an amendment HB063602.adb that addresses low income and an elderly refund of \$300.

**SEN. STONINGTON** asked if there had been any fiscal analysis done on that. **REP. FUCHS** said yes it is around \$27 million dollars.

**SEN. BILL GLASER** asked on page 127, section 156, what does sections (b,c & d) mean. **SEN. FUCHS** said this was an amendment put in the House Tax Committee and is in relation to another bill that was a constitutional initiative to raise five percent and deals with property tax relief. It would be in the bill if it would have passed.

**Dave Bohyer**, Legislative Services Division, said the language on page 127 beginning on line 5 through 25 is one of the many property tax exemptions. He said there are three different versions of 15-6-201, one that is currently in affect, one that will be effective this tax year and one that becomes effective based on the contingency. He said because there is an exemption for residencies they had to amend each version of 15-6-201 and that is what subsections (b,c & d) do.

**SEN. GLASER** asked if this bill was a convenient title to patch something. **Dave Boyher** said initially the bill did not treat the class 11 property the way that they are treated in this version of the bill. He said they had to revise the exemption section of 15-6-201 and is providing some property tax relief to owner occupied residences.

**SEN. GLASER** said the fiscal note on assumption #9 says there was no property tax impact in this bill, but on page 127 there was a property tax impact. **REP. FUCHS** said yes there would have been property tax impact if the other bill would have passed.

**SEN. ELLIS** asked what was the threshold on the low income rebate. **REP. FUCHS** said it was \$300.

**SEN. ELLIS** asked if that was for all filers or households, etc.. **REP. FUCHS** said it was for the low income and elderly and it was based on their purchases and if their income was \$7,500. **Dave Bohyer**, discussed the amendments. **EXHIBIT (tas77b10)**

**SEN. ELLINGSON** asked if there was anything left of the bill if the electorate doesn't approve it. **REP. FUCHS** said no.

**SEN. ELLINGSON** said on page 12, section 19, there was some concern about non-profit organizations and fund raising. **REP. FUCHS** said this section does exempt non-profits, garage sales, etc..

**Closing By Sponsor:**

**REP. FUCHS** said there was a lot of discussions about exemptions from the opponents and many were contradictions. He said he does not feel this will hurt businessmen in Montana. He said it seems to him that the education community is not interested in tax reform that will help grow the tax base. He said this is an elastic tax and as they go into the bicentennial, tax revenues will grow and more jobs will be created. He said E-Commerce is a serious question, but one that does not have concrete answers yet. He discussed the amendments (EXHIBIT 10) and also handed out some speaking points for amendments requested by the Department of Labor and Industry. **EXHIBIT(tas77b11)** He said this is an important issue, they are 47th in wages and this is a solution to help fund some programs that this state needs. **{Tape : 4; Side : A; Approx. Time Counter : 0 - 11.4}**

#### HEARING ON HOUSE BILL 623

**Sponsor:** REP. JEFF MANGAN, HD 45, Great Falls

**Proponents:** Wendy Young, WEEL; Tanya Hamlin, WEEL; Webb Brown, MT Chamber of Commerce

**Opponents:** None

**Opening Statement by Sponsor:** REP. JEFF MANGAN, HD 45, Great Falls, said this bill discusses day care. He said this bill will put into statute a tax credit for onsite child care facilities at businesses. He said the bill also increases the credit for dependant care. He said if employers pay all or part of employee's childcare expenses, they can receive a 20 percent credit on their taxes. He said the third part of the bill addresses a tax credit for those businesses who participate in a resource and referral for quality childcare for their employees. He passed out a pamphlet called It s Good Business to Invest In Child Care. **EXHIBIT(tas77b12)** He also discussed an article from the *Billings Gazette*. **EXHIBIT(tas77b13)** He said last year they paid \$4,600 to keep their child in day care and this makes it tough for those who have low paying jobs. He said currently, Montana does not have very many incentives to businesses to offset childcare costs for their employees or provide onsite care. He said this bill is based on Oregon State statutes. He said the bill was heavily amended in House Tax and he discussed those changes. He said he would like the 15 percent to be changed to something higher so that there are some incentives for employers to do this. He discussed page 4, lines 24-26 and said he would like the incentives raised. **{Tape : 4; Side : A; Approx. Time Counter : 11.4 - 24.8}**

**Proponents' Testimony:** **Wendy Young**, WEEL, said working families are concerned about wages and childcare. She said this bill is a win-win situation for the parents, children and businesses. She said a business that has onsite child care will have more productive workers and will miss less work and parents are assured that they are getting good quality childcare. She said the incentives should be raised to 50 percent.

**Tanya Hamlin**, WEEL, said many parents cannot afford to stay at home with their children and by having onsite day-cares at work it would make it more affordable to working parents.

**Webb Brown**, MT Chamber of Commerce, said this is an important issue for employers because when an employee has a sick child or they have to find another day care provider it creates loss of time at the work place. He said this would also boost the moral factor of those working parents. *{Tape : 4; Side : A; Approx. Time Counter : 24.8 - 28.6}*

**Opponents' Testimony:** None

**Informational Testimony:**

**Linda Pilanger**, Early Childhood Services Bureau, said they are available to answer any questions.

**Questions from Committee Members and Responses:**

**SEN. JOHN BOLINGER** said this is a win-win situation for everyone involved and he would like to have more incentives. He said it was testified that the 15 percent amendment should be restored to 50 percent and what is the financial impact of this on the fiscal note. **REP. MANGAN** said this would take it back to the original fiscal note and it would be \$47,591.00 on the General Fund the first year and \$37,576.00 the second year. He said he didn't think there would be a lot of initial cost until businesses learn about the incentives that are being offered.

**SEN. ELLINGSON** asked about the credit language on page 4, sections 3 and 4. **REP. MANGAN** said those two sections work together and section 3 is the statement of intent and section 4 describes what that credit is. **Lee Heiman**, Legislative Services, said section 3 is in the individual income tax chapter and section 4 is in the corporate tax chapter.

**Closing By Sponsor:**

**SEN. MANGAN** said this is important to the state and childcare is important to employers and employees. He said this will help

attract businesses to this state with these incentives. He said surrounding states have similar laws because they want to provide quality childcare to their employees. He said the House also put in a termination date on this bill and he would like to have this taken out. **{Tape : 4; Side : B; Approx. Time Counter : 0 - 7.8}**



**ADJOURNMENT**

Adjournment: 11:44 A.M.

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SEN. BOB DEPRATU, Chairman

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DEB THOMPSON, Secretary

BD/DT

**EXHIBIT (tas77bad)**